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CHARLES ELMORE

IN THE

Supreme Court of the United States

October Term, 1950.

No. 185

BAKER-CAMMACK HOSIERY MILLS, INC., and
BAKER-MEBANE HOSIERY MILLS, INC.,
Petitioners,

v.

THE DAVIS COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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INDEX TO PETITION.

	Page
History of the Case	2
Summary Statement of the Subject Matter Involved	3
Jurisdictional Statement	6
Statutes Involved	6
Questions Presented	6
Reasons Relied on for an Allowance of the Writ	8
I. There Are Presented Questions of Public Importance and Wide Import Requiring Consideration by This Court	8
II. The Probability of Conflict Between the Circuits and the Desirability of Resolving the Uncertain Situation Now Existing in the Seamless Hosiery Industry	11
III. The Opinion Below Decides Federal Questions in a Way That Conflicts With Applicable Decisions of This Court	13
IV. The Rulings of the Courts Below Require an Exercise of This Court's Power of Supervision	15

INDEX TO SUPPORTING BRIEF.

	Page
Point I. Under the Decisions of This Court the Changes Involved in Respondent's New Licensing Plan Are Insufficient to Purge It of Its Illegal Practices	19
Point II. The Writ Should Issue to Restore to Public Domain the Right to Use Elastic Yarn in Hosiery	20
Conclusion	22

TABLE OF CASES.

	Page
American Federation of Labor v. Watson, 327 U. S. 582	13
Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., — U. S. —; No. 455, October Term, 1949, decided June 5, 1950	14
B. B. Chemical Co. v. Ellis, 314 U. S. 495	20
Cuno Corp. v. Automatic Devices Corp., 314 U. S. 84	22
Dow Chemical Co. v. Halliburton Oil Well Cementing Co., 324 U. S. 320	22
Electric Cable Joint Co. v. Brooklyn Edison Co., Inc., 292 U. S. 69	22
Ethyl Gasoline Corp. v. U. S., 309 U. S. 436	13
General Electric Co. v. Hygrade Sylvania Corp., (D. C. N. Y.) 61 F. Supp. 531	13
Landis v. North American Co., 299 U. S. 248	13
Mercoid Corp. v. Mid-Continent Investment Co., 320 U. S. 661 (1944)	21
Merriam v. Saalfield, 241 U. S. 22	16
Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc., 2 Cir., 116 F. (2d) 845	16
Morton Salt Co. v. Suppiger Co., 314 U. S. 488	14, 19
Motion Picture Patents Co. v. Universal Film Manufacturing Co., 243 U. S. 502 (1917)	21
Pope v. Gormully, 144 U. S. 244	21
Pullman's Palace-Car Co. v. Central Transportation Co., 171 U. S. 138	13
Radio Corp. of America, et al. v. Edmond & Co., Inc., (S. D. N. Y.) 20 F (2d) 959	16
Scott & Williams, Inc. v. Lasticnit Co., Inc., (D. C. Mass.) 86 F. Supp. 994	22
United States v. Paramount Pictures, Inc., 334 U. S. 131	14

STATUTES.

	Page
Act of June 25, 1948, c. 646, 62 Stat. 928	6
Act of July 2, 1890, 26 Stat. 209, as amended by the Act of August 17, 1937, 50 Stat. 693	6

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your Petitioners, Baker-Cammack Hosiery Mills, Inc., and Baker-Mebane Hosiery Mills, Inc., respectfully pray for a writ of certiorari to the United States Court of Appeals for the Fourth Circuit to review the judgment of that Court entered April 11, 1950 (Vol. III, p. 80), affirming in part two judgments of the District Court of the United States for the Middle District of North Carolina (Vol. I, pp. 22, 37).

A certified transcript of the record of the cases, including the proceedings in said Court of Appeals, is furnished herewith in accordance with the rules of this Court.

HISTORY OF THE CASE.

These consolidated causes were instituted by the filing of two complaints for patent infringement by The Davis Company (hereinafter referred to as the Respondent). One complaint was filed on December 28, 1946, against Baker-Cammack Hosiery Mills, Inc., of Burlington, North Carolina, charging infringement of five patents (Gastrich and Getaz). The other complaint was filed on July 22, 1948, against Baker-Mebane Hosiery Mills, Inc., of Mebane, North Carolina, charging infringement of the same five patents and of one additional patent (Davis). Answers were duly filed denying validity and infringement, and also alleging that the patents in suit were unenforceable by reason of violation of the Anti-Trust Laws and abuse of monopoly. The two actions were consolidated for trial in the United States District Court for the Middle District of North Carolina on January 3-19, 1949. On June 17, 1949, the District Judge entered two separate decrees, one against each defendant, concluding that all of the patents in suit were valid and infringed and also that plaintiff was not guilty of any violation of the Anti-Trust Laws or misuse of said patents.

In each of the aforementioned decrees it was adjudged *inter alia* that one hundred and sixty-four hosiery mills (Vol. I, pp. 25-30) who were not parties to the litigation, but had contributed to the defense, were bound by the decision on all issues excepting that of infringement. The opinion of the District Court is reported at 86 F. Supp. 180.

Your Petitioners, in due course, filed an appeal to the United States Court of Appeals for the Fourth Circuit. Argument on said appeal was held on January 10, 1950. A few days prior thereto a civil action was instituted in the United States District Court for the Southern District of New York, by the United States of America, acting under the direction of the Attorney General, against Respondent, charging that its patents were being used to restrain com-

merce and to monopolize the elastic top hosiery industry (Vol. III, p. 8). In said action, which has not yet been determined, the Government asks for a dissolution of The Davis Company and for a setting aside of all contracts and agreements entered into by that company relating to its patents. Petitioners at once filed with the Court of Appeals a written motion for a stay of proceedings, citing the above mentioned suit by the Government, and inviting attention to the possibility of conflict between separate Federal Courts dealing with the same subject matter (Vol. III, p. 4).

On April 11, 1950, the Court of Appeals rendered its opinion, reported at 181 F. (2d) 550. It denied the aforesaid motion to stay proceedings. It affirmed the judgments of the District Court as to five of the patents in suit (Davis and Getaz), holding them to be valid and enforceable and to have been infringed by Petitioners. It modified the opinion of the District Court as to one patent (Gastrich), holding it to be limited to full-fashioned hosiery and, therefore, not infringed. It left open for later decision, on accounting for damages, the question of whether any of Petitioners' knitting machines were acquired under circumstances creating an implied license to use them free of royalty.

SUMMARY STATEMENT OF THE SUBJECT MATTER INVOLVED.

Respondent is a patent holding corporation. It was formed in 1946 to hold the patents in suit and nine others in trust for three beneficial owners from whom it acquired its title. They are Scott & Williams Company, the largest manufacturer of circular hosiery knitting machines in the United States; Interwoven Stocking Company, the largest manufacturer of men's socks in the world; and W. B. Davis & Son, Inc., which until recently owned and operated a large hosiery mill in Alabama (Vol. I, pp. 86, 176). Under the trust agreements all royalties from licenses and recoveries

for infringement are distributable to the three beneficial owners in specified proportions (Vol. I, pp. 221-232).

Prior to the institution of the instant causes and up until a few days before the trial thereof in the District Court, Respondent offered to the industry one and only one form of license under the pooled patents. This "standard form" could not be modified "without the unanimous consent of all stockholders" of The Davis Company (Vol. I, pp. 113-114, 388). It offered a package or block license on the following terms and conditions (Vol. I, p. 237):

> (a) As a prerequisite to receiving rights under any of the patents, licensee was required to pay royalties under all fifteen patents of Respondent at the royalty rate of two cents per dozen pairs of stockings sold;
>
> (b) Licensee was required to continue payment of royalties without diminution until September 1961, the date of expiration of the last expiring patent, even though the patents actually used by licensee were due to expire at various earlier dates commencing in 1953;
>
> (c) Licensee was required to pay royalties upon all elastic top hosiery made and sold by it without regard to its pre-existing rights to use certain machines for the manufacture of such hosiery under said patents without payment of any royalty.

Such provisions were intolerable to many hosiery mills, including Petitioners, which had acquired some of their knitting machinery by purchase, without restriction or limitation as to use, from the former owners of the patents (Vol. I, pp. 100, 185, 193). These mills resisted Respondent's demand for tribute extending beyond the expiration of its patents and levied not only on the use of unlicensed machines, but also on the use of machines acquired under circumstances giving rise to an implied license. Had they not done so, they would have had to forfeit their existing rights as a condition of acquiring new machines.

On December 24, 1948, ten days prior to the trial, Respondent offered to the seamless hosiery industry three new types of licenses, each granting inseparable rights under a package consisting of two of the fifteen pooled patents and each giving the right to manufacture only one specified kind of elastic top hosiery (Vol. I, pp. 243-254). For each such license Respondent charged the same royalty rate, two cents per dozen pairs, previously charged for rights under the larger package of fifteen patents. At the same time Respondent announced that it reserved to itself the right to determine according to its own satisfaction which machines of licensee were the subject of existing express or implied licenses (Vol. I, p. 245). To date the new licenses offered to the industry relate to only four of Respondent's fifteen patents and to only three of the six patents sued upon. From the testimony of Respondent's president, it would appear that if a license is sought under the other three patents in suit, the terms and conditions would have to be the subject of negotiations between the parties and be approved by the directors of the patent holding company (Vol. I, p. 111). The Court of Appeals presumably holds that the original licensing plan was illegal as it is stated in the opinion that Respondent's claim for damages "must be confined to the period subsequent to December 24, 1948, when the last offer was made and restrictions upon the licenses offered in 1946 were withdrawn" (Vol. III, p. 71). Its opinion concludes with the assertion that whatever illegal restraints may have been involved in Respondent's original licensing plan have been "eliminated" and "need no longer be considered" (Vol. III, p. 78).

The issues of validity and infringement of the patents turn largely upon the question of whether the incorporation in the top of a plain knit seamless stocking of an elastic yarn known as "Lastex" (covered by a prior patent to Adamson which has now expired) constitutes an act of invention, and whether the patents are entitled to a broader

interpretation than suggested by the specific terminology of the claims. Except as to the Gastrich patent, these issues were resolved in favor of Respondent.

JURISDICTIONAL STATEMENT.

This Court has jurisdiction to review the final judgment here involved under Section 1254 (1) of the Judicial Code as amended, Title 28 U. S. C. 1254 (1), Act of June 25, 1948, c. 646, 62 Stat. 928.

STATUTES INVOLVED.

The cause presents the construction of Sections 1 and 2 of the Sherman Act, the Act of July 2, 1890, 26 Stat. 209, as amended by the Act of August 17, 1937, 50 Stat. 693 (15 U. S. C. 1, 2).

QUESTIONS PRESENTED.

1. A patent holding company owns a "complete" group of patents (six in suit and nine others) covering elastic top hosiery, machines and methods of making such hosiery. It misuses the patents by issuing to the industry one standard form of block license giving rights under the patents collectively and inseparably, and requiring the licensee to pay royalties for all manufacture and sale under the patents at the rate of two cents per dozen pairs until September 5, 1961, regardless of the earlier expiration of the patents actually used, and to pay such royalties on the total product of all knitting machines, even though many of such machines are already licensed by implication of law so that their product would normally be free of royalty. Has such an owner purged itself of its illegal actions, so as to render its patents enforceable, by belatedly offering to the industry three new license forms covering only four of its fifteen patents, each granting a block license under two of these four patents at the same royalty rate of two cents per dozen, previously charged for rights under all of its fifteen patents,

said offer reserving the right in the owner and licensor to determine according to its own satisfaction whether any machines of licensee were acquired under circumstances giving rise to an implied license?

2. Are the five patents remaining in suit (four issued to Getaz and one to Davis) sustainable with the breadth attributed to them by the Court of Appeals, particularly considering that their claims, as now interpreted, define elastic top hosiery which is identical in knitting structure with the prior art and a method of making such hosiery which was well-known to knitters long prior to the alleged inventions?

3. Is it a proper exercise of judicial power for the Court of Appeals for the Fourth Circuit to affirm the two decrees entered herein by the District Court which provide that one hundred and sixty-four hosiery mills who are not parties to these causes and have no right of appeal from said decrees are bound thereby on the issues of the validity and enforceability of the patents?

REASONS RELIED ON FOR AN ALLOWANCE OF THE WRIT.

I.

There Are Presented Questions of Public Importance and Wide Import Requiring Consideration by This Court.

A resolution by the Supreme Court of the questions presented by this Petition will have immediate purpose far beyond the particular parties involved. Directly concerned are the one hundred and sixty-four seamless hosiery mills in the United States, located in fifteen different states and in eight different judicial circuits of the United States, none of whom is a party to this litigation, but all of whom have been adjudged to be bound by the decree of the lower court as to validity and enforceability of the Respondent's patents. Equally concerned with a resolution of the questions presented is the entire seamless hosiery industry, estimated to be comprised of over five hundred mills in the United States, which is precluded from making elastic top hosiery on a single machine in a continuous automatic operation except upon the payment of tribute to the Respondent under license agreements charged by the Government to constitute a violation of the Sherman Act. As noted by the Court of Appeals in its opinion:

> "It was stipulated that one hundred and eighty manufacturers are involved directly or indirectly in the matters in issue. In argument, it was stated that there are over five hundred hosiery mills in the United States (Vol. III, p. 29). . . . The great commercial importance of the products and processes described in the patents in suit is attested by the prominence of the beneficial owners of the patents in the industrial field and by the organization of a great part of the industry in a determined effort to destroy the patents and make use of the disclosures without compensation." (Vol. III, p. 31.)

It is thus apparent that a large segment of this country's economic order is now under a cross-fire with respect to the pooled patents. This unsettled condition can only be relieved by a resolution of the important questions presented for a determination in this application for a writ of certiorari.

The legality of the Respondent's license agreements is squarely presented for determination by this Court. The Court of Appeals points out that "Licenses to use the patents have been offered by The Davis Company to the industry generally in communications which stated that the inventions constitute a complete series of patents covering plain knit elastic top hosiery" (Vol. III, pp. 34-35). In answer to the Petitioners' charge that the original license agreement offered to the industry constituted such a violation of the Anti-Trust laws and such an abuse of monopoly as to dis-entitle the Respondent to the enforcement of its rights under the patents, the Court of Appeals was of the opinion that its unlawful conditions "were eliminated from the plaintiff's offer to license the industry in a communication which was sent out on December 24, 1948, after the pending suit was brought and just before it was tried in the District Court" (Vol. III, pp. 69-70). The later license agreements, however, do not eradicate the vices of the first agreement especially since, as recognized by the Court of Appeals, there continues to exist in the Respondent complete freedom "to *negotiate* the grant of uniform licenses at reasonable royalty rates for any other type of automatic elastic top hosiery comprehended by the claims of the patents owned by it" (Vol. III, p. 70); that is, the later agreements merely "eliminated the requirement that a licensee must accept a license under all of the patents and in place thereof offered patents in suitable groups of two and left the door open to any *proposal* for the acquisition of patent rights by the announcement that the Davis Company stands ready and willing to negotiate for uniform licenses at reasonable rates for any other type of automatic elastic top

hosiery comprehended by the plaintiff's patents" (Vol. III, p. 77). Furthermore, under the later license agreements, the Respondent need not recognize an outstanding license under the patents unless the same is "established to the *satisfaction* of the company" (Vol. III, p. 71).

The patents in suit relate to an old art, namely, the manufacture of elastic top hosiery. Their asserted novelty resides in the mere incorporation of "Lastex", an improved covered elastic yarn invented by one Adamson and sold by U. S. Rubber Company since 1930, in an article which is identical in knitting structure with the prior art and by a method of manufacture well-known to knitters. No inventive problem remained to be solved when Getaz and Davis entered the field. The utter lack of invention is attested by Getaz' letter to his patent counsel in 1935, advising (Vol. I, p. 258):

> "We would like very much to find some patentable feature about this top construction as we think it is going to be an important factor in the trade, but it is so simple that it will require some close attention to find how it may be protected by patent."

The Court of Appeals likewise takes note of the fact that in 1942 the High Court of Australia handed down an opinion holding that the corresponding Australian patents to Davis were invalid for want of invention. As stated by the Court of Appeals in its opinion (Vol. III, pp. 38-9):

> "The argument against the validity of the Davis patent prevailed in 1944 in the case of *W. B. Davis & Son, Inc. v. Woolworth, Ltd.*, in the High Court of Australia where the corresponding Australian patent to Davis was stricken down for want of invention. The court held that there was no invention in taking an elastic thread (lastex) that was on the market and using it for the purpose for which it was manufactured in the manner suggested by the maker."

The Court followed the above quotation with the statement that

> "On the surface, these considerations seem persuasive but they do not bear close scrutiny."

Thus, notwithstanding the antiquity of the art and the fact that the claims of the patents define an article which is identical in knitting structure with the prior art and a method of manufacture well-known to knitters, and that the asserted novelty resides in the mere substitution of an improved elastic yarn invented by a third party, these patents (in view of the scope given to them by the Courts below) now dominate the entire seamless hosiery industry. They have been sustained with such breadth as to preclude the making of elastic top hosiery on a single machine in a continuous automatic operation (fully shown, for example, in the Sturgess Patent of 1886) except upon the payment of tribute to the Respondent under license agreement which constitutes an abuse of the patent monopoly and a violation of the Anti-Trust Act. Such dominating position has been accorded patents which differ in only minor details from prior art patents which have now expired. Obviously, the validity and lawful scope of these patents are matters of wide public interest and importance.

The essential impact of the pronouncements by the Court of Appeals on the questions here presented is of such public importance as to call for adjudication by the Supreme Court.

II.

The Probability of Conflict Between the Circuits and the Desirability of Resolving the Uncertain Situation Now Existing in the Seamless Hosiery Industry.

Many seamless hosiery mills named in the judgments below, including Petitioners, acquired some, but not all, of their knitting machinery by purchase, without restriction as to use, from the former owners of the patents (Vol. I,

pp. 100, 185, 193). They are, therefore, impliedly licensed to continue using such machines, but only such machines, without payment of royalties to Respondent. Should these mills now accept a license from Respondent, in order to enable them to practice the inventions of the patents in suit on other machines, as well as those which are freed of the monopoly, they place themselves in an obvious dilemma. They must pay royalties on their total production of elastic top hosiery unless Respondent is willing, according to its own "satisfaction," to recognize the existence of an implied license. Under its new licensing plan, Respondent still retains exclusive control of all machines, licensed or unlicensed, but may relinquish such control if it sees fit to do so.

Furthermore, if Petitioners or any of the other mills listed in and adjudged to be bound by the decrees herein accept the new licenses offered by Respondent or enter into other agreements with it, they must face the possibility of becoming parties to an unlawful conspiracy. In the suit instituted by the United States against Respondent, it is charged that its new licensing system, as well as the old one, violates the Anti-Trust laws. The Government prays that each and every such contract or agreement be set aside and cancelled and that The Davis Company shall be dissolved. It was due to this situation that the Petitioners moved the Court of Appeals for a stay of proceedings until the entry of a final decree in the Government's Anti-Trust action against the Respondent by the District Court of New York. The Court is here faced with a situation where one arm of the federal government, the Patent Office, has previously granted fifteen patents to individuals who subsequently pooled them into the Respondent holding company, and where another arm of the federal government, the Department of Justice, subsequently seeks to negate the enforcement of those rights because it is convinced that the rights have not been held by clean hands. It would constitute an injustice and hardship to the Petitioners if they are

ordered to enter into license agreements with, and to discharge an obligation to, the Respondent holding company which may later be ordered dissolved as being unlawful and in violation of the federal Anti-Trust Act. As the Anti-Trust issue involved in the Government action was substantially the same as in the instant actions, as The Davis Company was a party litigant in each action with the right to present its full defense therein, as the cases were of public moment, as a multiplicity of suits could thereby be avoided (Cf. 15 U. S. C. A. Sec. 16), it was felt that a stay of proceedings was justified in order to relieve a case of hardship or inequity. *Landis v. North American Co.*, 299 U. S. 248; *General Electric Co. v. Hygrade Sylvania Corp.*, (D. C. N. Y.) 61 F. Supp. 531; *American Federation of Labor v. Watson*, 327 U. S. 582; *Pullman's Palace-Car Co. v. Central Transportation Co.*, 171 U. S. 138.

This dilemma facing the seamless hosiery industry can only be resolved by a decision of this Court, settling the uncertain status of the patents here involved and declaring whether it shall be lawful for hosiery mills to accept the licenses now tendered by Respondent. A resolution by this Court of the questions, following adequate consideration of all the implications involved, will have immediate purpose for every manufacturer of seamless hosiery in the United States. The precise questions presented have not heretofore been determined by any decision of this Court.

III.

The Opinion Below Decides Federal Questions in a Way That Conflicts With Applicable Decisions of This Court.

The decision of the Court of Appeals "that the proofs in this case negative the existence of any conspiracy on the part of the plaintiffs, its officers and its predecessors, to violate the anti-trust statutes of the United States" (Vol. III, p. 78) is in conflict with the following applicable decisions of this Court: *Ethyl Gasoline Corp. v. U. S.*, 309 U. S.

436; *Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488; *United States v. Paramount Pictures, Inc.*, 334 U. S. 131. In the *Paramount Pictures* case, this Court condemned the practice in the motion picture industry of licensing one feature or group of features on the condition that the exhibitor also take another feature or group of features. It held that such a practice violates the Anti-Trust Acts by preventing competitors from bidding for single features on their individual merit and by enlarging the monopoly of a single copyright picture by adding thereto another copyright picture which must be exhibited in order to secure the first. More recently the Supreme Court has confirmed that the rule of the *Paramount Pictures* case forbids "conditioning the granting of a license under one patent upon the acceptance of another and different license", *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, — U. S. —; No. 455, October Term, 1949, decided June 5, 1950.

Here Respondent first sought to enlarge and extend its monopoly beyond the exclusive rights inherent in the patents which it owns in three different ways:

(1) As to *time*, by collection of royalties after expiration of the patents used by its licensees;

(2) As to *subject matter*, by collection of royalties on the product and use of machines already licensed and therefore freed of the patent monopoly; and

(3) As to *scope*, by the refusal to grant one license under one patent unless another license is accepted under another patent.

Under Respondent's new licensing scheme the first of these objectionable conditions has been removed only as to three of the six patents sued upon; the second has been modified only to the extent that Respondent has announced in a letter that it will recognize existing licenses if "established to the satisfaction of The Davis Company" (Vol. I, p. 245); and the third has been modified to the extent

that instead of offering one block license under fifteen patents, Respondent offers three block licenses, each under two patents (Vol. I, pp. 246-254) at the same rate previously charged for rights under fifteen patents.

IV.

The Rulings of the Courts Below Require an Exercise of This Court's Power of Supervision.

The decrees entered herein by the Courts below, adjudging that one hundred and sixty-four firms and corporations who are not parties to the action but who constitute a large and important segment of the entire seamless hosiery industry, are nevertheless bound by the decision, calls for an exercise of this Court's supervisory power over lower federal courts.

The question involved is squarely presented to this Court for review. The extent of the Court's decrees is clearly shown by reference to the decrees themselves (Vol. I, pp. 22, 37). The Court of Appeals affirmed this action:

> "The Court also decreed in each case that the present firms and corporations comprising the Investigating Committee should be bound by the decrees except that all of them other than the named defendants were not adjudged guilty of infringement, and were not deprived of the separate defense of non-infringement (Vol. III, p. 30) . . . We are in agreement with the conclusion of the District Judge that . . . the patents are enforceable against the combined infringers represented by the Hosiery Investigating Committee in control of the defense of the suit" (Vol. III, p. 78).

The effect of the decrees on these one hundred and sixty-four firms and corporations is to bind them *in personam* without right of appeal therefrom, even as to the personal defenses of laches, acquiescence and estoppel not-

withstanding the fact that many of them have been carrying on their present knitting practices for more than ten years without suit or threat of suit on the part of the patent owners (Vol. I, pp. 130-1, 185-6). Such decision is in sharp conflict with the decisions of this Court and departs from the accepted and usual course of judicial proceedings. As early as *Merriam v. Saalfield,* 241 U. S. 22, it has been settled that a person who is not a party to an action, but who may be estopped in a later action by reason of having exercised control of the defense, cannot be bound in said first action. As said by Mr. Justice Pitney, at page 29:

> "The doctrine of *res judicata* furnishes a rule for the decision of a subsequent case between the same parties or their privies respecting the same cause of action. Obviously, the rule for decision applies only when the subsequent action has been brought."

To the same effect are decisions of lower courts which specifically hold that persons, not defendants, who have contributed to the defense of a patent infringement suit cannot be made parties, even by serving their attorneys, *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.,* 2 Cir., 116 F. (2d) 845. Although a decree may contain an appropriate recital of the fact that a suit has been openly defended by a person not a party to the action, it cannot bind said person, *Radio Corp. of America et al. v. Edmond & Co., Inc.* (S. D. N. Y.) 20 F. (2d) 959.

WHEREFORE, your Petitioners respectfully pray that a Writ of Certiorari be issued under the seal of this Court, directed to the United States Court of Appeals for the Fourth Circuit, commanding the said Court to certify and send to this Court on a day to be designated a full and complete transcript of the record and all proceedings of the Court of Appeals had in these causes, to the end that these causes may be reviewed and determined by this Court, as provided in the statutes of the United States, that the

decree of the Court of Appeals be reversed and that Petitioners be granted such other and further relief as may seem proper.

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SUPPORTING BRIEF.

Point I.

Under the Decisions of This Court the Changes Involved in Respondent's New Licensing Plan Are Insufficient to Purge It of Its Illegal Practices.

An owner of a patent who has abused his exclusive rights cannot invoke the aid of a court of equity. As said by this Court in *Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488, at page 493:

> "Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated."

Here the improper practices have neither been abandoned nor have their consequences been dissipated. It is admitted by the president of the Davis Company that it has not yet announced the terms under which future licenses will be granted under most of its patents, including some of those in suit (Vol. I, p. 111). Apart from its offer of new licenses A, B and C (Vol. I, pp. 246-254), which relate to only three of the six patents sued upon, Respondent has done nothing except to say that it will negotiate license agreements at reasonable royalty rates. Admittedly it has not worked out the details of such agreements (Vol. I, p. 111), nor can it do so without the unanimous consent of all stockholders (Vol. I, p. 338). Its formal announcement, mailed to the industry on December 24, 1948, states the sum and substance of what Respondent now offers where it says that it "is ready and willing to negotiate" and will

recognize an existing license "if this fact is established to the satisfaction of the Davis Company."

Such a vague statement of intention does not constitute a purging. As said by this Court in *B. B. Chemical Co. v. Ellis,* 314 U. S. 495, at page 498, the mere offer by the owner of a patent "to give unconditional licenses to manufacturers on a royalty basis" does not of itself constitute an abandonment or dissipate the consequences of monopolistic practices. Especially is this true where, as here, the terms and conditions of future licenses have not even been settled, much less announced to the industry.

Point II.

The Writ Should Issue to Restore to the Public Domain the Right to Use Elastic Yarn in Hosiery.

The monopolistic practices here involved become even more oppressive when viewed in the light of the obvious character of the alleged inventions.

All of the patent claims here involved purport to cover the mere substitution of an elastic yarn for a non-elastic yarn in the top of a plain knit stocking, or the use of "high" or "proper" tension to produce an effect which differs in degree only from that which was admittedly old and common in the art.

The success of elastic top hosiery was made possible by the introduction of "Lastex", an improved elastic yarn which is the subject of an expired patent and which, as early as 1932, was available in quantity and extensively advertised for use in hosiery tops (Vol. I, p. 369). As said by the High Court of Australia, in striking down the Davis patents of Australia corresponding to one of the five patents remaining in this suit (Vol. I, p. 211):

> "The patentee simply took an elastic thread which was on the market and put forward as a thread which could be used and incorporated in knitted fabrics. But there is no invention in simply taking and using an

article or thread and using it for the purpose for which it was manufactured and in the manner suggested or directed by the manufacturer."

Similarly, as said by Getaz, the named inventor of the other four patents in suit to his patent solicitor, when he was preparing to file his applications (Vol. I, p. 258):

> "It is so simple that it will require some close attention to find how it may be protected by patent."

These patentees merely borrowed from the prior art certain knitting practices which were second nature to the ordinary knitter or fixer in order to capitalize on the opportunities offered by the elastic yarn previously invented by Adamson.

Where, as in the instant case, the claims of a group of patents are so broadly construed as to cover the simple and obvious uses of "Lastex" in the tops of hosiery, the decision below should be corrected to restore to the public domain the right to use such elastic yarn in the manner and for the purposes for which it was intended.

This Court said long ago that it is just as important to the public that competition should not be repressed by worthless patents as that the patentee of a really valuable invention should be protected in his monopoly. *Pope v. Gormully,* 144 U. S. 244.

In the series of misuse decisions commencing with *Motion Picture Patents Co. v. Universal Film Manufacturing Co.,* 243 U. S. 502 (1917) and extending through *Mercoid Corp. v. Mid-Continent Investment Co.,* 320 U. S. 661 (1944), this Court has said that the grant of a patent is a special privilege which should be "narrowly and strictly confined to the precise terms of the grant" (*Mercoid* case, at page 665).

Likewise in the series of decisions in which this Court has recently had occasion to examine into the validity of patents, it has repeatedly announced that new combinations

involving the use of old instrumentalities according to the common skill of the art, or the mere substitution of one material for another, do not rise to the dignity of patentable inventions. *Dow Chemical Co. v. Halliburton Oil Well Cementing Co.*, 324 U. S. 320, *Cuno Corp. v. Automatic Devices Corp.*, 314 U. S. 84 and cases cited therein; *Electric Cable Joint Co. v. Brooklyn Edison Co., Inc.*, 292 U. S. 69, and cases cited therein.

Similarly, the U. S. District Court of Massachusetts following these and similar decisions, has held that there can be no invention in using elastic yarn in hosiery according to its obvious capabilities. Thus in *Scott & Williams, Inc. v. Lasticnit Co., Inc.* (D. C. Mass.), 86 F. Supp. 994, the court reached a result directly opposite to the decision in the case at bar. In answer to the same sort of argument as advanced here by Respondent it said, at page 998:

> "Any person skilled in the art having knowledge of the use of covered rubber in its tensioned condition as disclosed in the prior art (speaking of art prior to 1934) would know at once in using bare rubber that it was necessary to apply tension to the bare rubber and increase the tension by experimentation until the desired two-way stretch was obtained . . . One skilled in the art was competent to attain success after the improved rubber appeared on the market. There was nothing new in the Lawson Patent that taught how to do it that was not disclosed in the prior art."

Conclusion.

The decision below in effect renders Respondent's patents incontestable not only in the Fourth Circuit, but elsewhere, even though these patents are of the weakest character and have been used to suppress competition in the manufacture and sale of elastic top hosiery. This decision, we submit, calls loudly for a review in order to relieve the

industry of the uncertainties which now exist as a result of the judgments herein vis-a-vis the contention of the Government that Respondent is continuing to misuse its patents in violation of law.

Respectfully submitted,

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